



STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.nj.gov/bpu/

WATER

IN THE MATTER OF THE PETITION OF AQUA)
NEW JERSEY, INC. FOR APPROVAL OF A)
MUNICIPAL CONSENT TO PROVIDE WATER)
SERVICE TO A PORTION OF THE BOROUGH)
OF ALPHA)

ORDER

DOCKET NO. WE08040281

(SERVICE LIST ATTACHED)

BY THE BOARD:

Aqua New Jersey, Inc. ("Aqua-NJ" or "Company") provides water and wastewater services to nearly 50,000 customers in municipalities located in Warren, Hunterdon, Mercer, Burlington, Monmouth, Camden, Ocean, Sussex, and Gloucester Counties, New Jersey. Through its Northern Division headquartered in Phillipsburg, New Jersey, the Company provides service within Warren County to franchise areas located in Phillipsburg, Pohatcong, Lopatcong, Greenwich, Harmony, and Holland Townships. In 2005, the Borough of Alpha, Warren County, New Jersey, ("Alpha" or "Borough") passed a municipal consent ordinance granting a franchise to Aqua-NJ to provide water service to a tract of land located in the Borough, which was granted by the Board of Public Utilities (the "Board") in an Order dated March 31, 2006, in BPU Docket No. WE05060543.

On September 25, 2007, the Borough adopted Ordinance # 07-14, which granted Aqua-NJ authority to provide water service to a tract of land located in Alpha, identified specifically as Block 103, Lot 1 (the "Project"). The proposed franchise area is in an undeveloped area of the Borough which includes a portion of the Borough's affordable housing compliance parcel. On April 29, 2008, Aqua-NJ filed a petition with the Board of Public Utilities, pursuant to N.J.S.A. 48:2-14 and N.J.A.C. 14:1-5.5, for approval of this municipal consent granted by the Borough.

In its petition, the Company states that the requested approvals are necessary and proper for the public convenience and that the proposed franchise will not have an adverse impact on the provision of safe, adequate and proper water service to Aqua's present customers. Currently, the municipal water system that serves other portions of the Borough does not have sufficient

capacity under its existing New Jersey Department of Environmental Protection withdrawal diversion permits to serve the proposed franchise area. Aqua-NJ represents that it has sufficient capacity and is willing to make the capital investment necessary to serve the area. In addition, given the close proximity of the proposed Alpha franchise area to the Company's Northern Division, the Company will be able to provide service to Alpha using Aqua-NJ's experienced local employees without any anticipated need for new employees.

On March 31, 2009, a public hearing on the Company's petition was held at the Board's office located in Newark, New Jersey. Legal Specialist, Joseph Quirolo, Esq., presided over the hearing at which representatives of the Company, the Division of Rate Counsel ("Rate Counsel"), and Board Staff appeared. No members of the public were present. Based on the testimony of the witnesses appearing for the Company, the proposed franchise area is currently undeveloped and is proposed to consist of approximately 48 single family homes, some of which will be affordable housing. The Borough lacks sufficient capacity to serve the proposed franchise area and the proximity of Aqua-NJ's service area makes it the most viable candidate to provide service.

Petitioner currently provides water service to portions of Warren County where the proposed additional service area is located. Service to this area will be made from the Company's Northern Division. The Northern Division has a firm capacity of 5.74 million gpd with a daily peak demand of 4.33 million gpd. There are approximately 11,000 customers in the Northern Division service area in numerous municipalities. There will be no impact on Aqua-NJ's ability to provide safe, adequate and reliable service to the other areas served by the Northern Division. The Company has sufficient capacity to provide service having a capacity cushion of approximately 1.4 million gallons per day. New customers will come under the Company's Northern Division and appropriate tariff and will have customer assistance through the Northern Division office, including a 24 hour emergency line.

In order to provide service, the Company will need to install nearly 5,800 feet of main. The Project is located in State Development and Redevelopment Planning Area 1. Aqua represents that the developer is responsible for 100% of the construction costs of the main. Aqua further represents that all plant costs associated with the cost of the water facilities to be constructed will be offset by a contribution in aid of construction by the developer.

Subsequent to the hearing, by correspondence dated April 28, 2009, Rate Counsel filed comments to the petition in which Rate Counsel does not oppose approval of the Company's request. Rate Counsel would bar the inclusion of any specific assets or amounts into rate base or authorization of same for any other ratemaking treatment, as this determination should be made in a future base rate proceeding. Rate Counsel further recommended the inclusion of specific language in any Board Order approving the petition, which is incorporated in the order.

Aqua-NJ provides potable water service and wastewater service to customers located in nine counties throughout the State. Based on a review of the record to this proceeding, Aqua-NJ possesses the financial stability and water utility expertise that will allow it to efficiently and economically provide safe, adequate, and proper water service to customers in Alpha. Moreover, as a subsidiary of Aqua America, Inc., the Company has access to additional managerial, technical, and financial resources that demonstrates the capacity of the Company to serve and maintain the Alpha water system.

Therefore, the Board **HEREBY FINDS** that the extension requested is necessary and proper for the public convenience and properly conserves the public interests, and **HEREBY APPROVES** the Borough of Aqua Ordinance 07-14 adopted on September 25, 2009, for the provision of water service in the Borough of Alpha, Block 103, Lot 1, as sought in Aqua-NJ's petition.

The approvals granted, hereinabove, shall be subject to the following provisions:

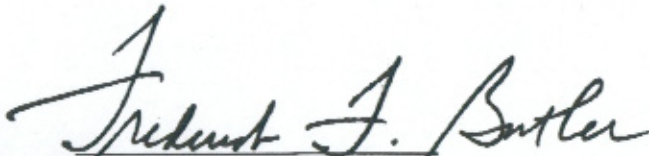
1. This Order shall not be construed as directly or indirectly fixing for any purposes whatsoever the value of any tangible or intangible assets now owned or hereafter to be owned by Aqua New Jersey, Inc.
2. This Order shall not affect nor in any way limit the exercise of the authority of this Board or of this State in any future petition or in any proceedings with respect to rates, franchises, services, financing, accounting, capitalization, depreciation, or in any other matters affecting Aqua New Jersey, Inc.
3. In an appropriate subsequent proceeding, the Company shall have the burden of demonstrating whether, and to what extent, any of the costs associated with this petition shall be allocated to ratepayers. Approval of this municipal consent does not include authorization to include in rate base the specific assets that are or will be completed as a result of the new service territory.

4. Approval of this municipal consent ordinance does not constitute Board approval of any costs or expenses associated with this petition. Any determination as to the appropriateness or reasonableness of the costs and expenses related to the franchise, including, but not limited to, cost of construction, contributions in aid of construction, depreciation on contributed plant, the cost of connection, or any related capital improvements, and the allocation of such cost and expenses, shall be made in an appropriate subsequent proceeding.

DATED: 6/10/09

BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER

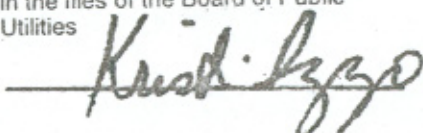

NICHOLAS ASSELTA
COMMISSIONER


ELIZABETH RANDALL
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within
document is a true copy of the original
in the files of the Board of Public
Utilities



IN THE MATTER OF THE PETITION OF AQUA NEW JERSEY, INC. FOR APPROVAL OF
MUNICIPAL CONSENTS TO PROVIDE WATER SERVICE TO A PORTION OF THE
BOROUGH OF ALPHA

BPU Docket No. WE08040281

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